

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-27-E - ORDER NO. 2019-226
MARCH 22, 2019

IN RE: South Carolina Electric & Gas Company)	ORDER APPROVING
Request for Approval of Forbearance)	FORBEARANCE
Agreement with the South Carolina Public)	AGREEMENT
Service Authority (Santee Cooper), or in the)	
Alternative, Acknowledge Consent of the)	
Forbearance Agreement)	

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Request of South Carolina Electric & Gas Company (“SCE&G” or “Company”) for Approval of Forbearance Agreement with the South Carolina Public Service Authority (“Santee Cooper”).

On January 11, 2019, SCE&G requested that the Commission approve a Forbearance Agreement with Santee Cooper. This agreement, which results from SCE&G’s and Santee Cooper’s decision to stop construction of V.C. Summer Units 2 and 3, irrevocably waives SCE&G’s rights to certain nuclear construction assets. SCE&G states that the requested relief will not involve a change to any of SCE&G’s retail rates or prices, or require any change in any Commission rule, regulation, or policy.

On January 30, 2019, the Commission requested that the Office of Regulatory Staff (“ORS”) assess the impact of the Forbearance Agreement. On February 12, 2019, ORS provided a thorough response to our request, stating approval of the Agreement could result in favorable tax treatment of the abandoned Project assets, if granted by the Internal

Revenue Service, which in turn would benefit SCE&G ratepayers. Given the potential for beneficial tax results that flow to ratepayers, ORS has no objection to approval of the Agreement, subject to protection for ratepayers should the IRS not accept the tax treatment proposed by the Company. ORS is specifically concerned about the tax treatment of a \$600 Million Net Operating Loss Carry-Forward.


SCE&G replied to ORS on February 22, 2019, asserting that it did not enter into the Forbearance Agreement for tax treatment purposes but because Santee Cooper wanted written assurance that SCE&G would not later claim interest in the abandoned assets. Additionally, SCE&G maintains that the IRS has already issued a Private Letter Ruling, stating that the Company sustained an abandonment under IRS Code section 165. SCE&G shall file that letter with the Commission.

Further, SCE&G has committed to the Commission that, to the extent the tax deduction is disallowed, customers will still receive all the benefits approved by the Commission in Order No. 2018-804. The utility states that these benefits are already reflected in SCE&G's retail electric rates today and will remain there regardless of how the IRS responds to SCE&G's claimed deduction, and we find that regardless of the resolution of the claimed deduction, customer benefits will be unchanged from those provided in Order No. 2018-804.

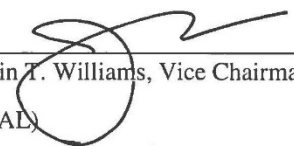
In light of the foregoing reasons for the Forbearance Agreement, and considering SCE&G's assurance and this Commission's acceptance of its commitment that ratepayers will not be affected by an adverse ruling related to the Agreement's assets, we hereby approve the Agreement.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Comer H. Randall, Chairman



Justin T. Williams, Vice Chairman

(SEAL)